

# Michigan Exchange Core Principles

**Our organizations agree on the following key elements for the  
Michigan Exchange**

**(9/6/2011)**

- 1) The Michigan Exchange should operate as a "Market Organizer," allowing all health plans and carriers that choose to participate in the exchange the opportunity to offer innovative products and benefit designs for individuals and small businesses.
- 2) The Michigan Exchange should have separate risk pools for individuals and small businesses in order to manage the unique risk and demographic characteristics of each segment.
- 3) The state exchange should not become the exclusive health insurance distribution channel for individuals and small businesses. Existing health insurance market distribution channels must continue to operate. Additionally, independent licensed insurance agents must be included in the distribution system, and fairly compensated for sales and service of insurance products sold on the Exchange.
- 4) The Michigan Exchange should be governed by an independent public authority or independent non-profit. Governance should primarily be purchasers, both individuals and small businesses. To ensure the integrity of the exchange, the focus of governance of the exchange should be with purchasers rather than vested stakeholders.
- 5) PPACA requires that state exchanges be self-sufficient by 2015. The architects of the Michigan Exchange must ensure that the Exchange be efficient and not add to the cost of insurance purchased on or off the Exchange. Additionally, products sold on the Exchange must not be granted unfair advantages via underwriting, tax and regulation, or other means. (Same products, same rules, same prices on and off the Exchange).



# Health Insurance Exchange Primer

(10/19/2011)

The PPACA requires that each state develop a Health Insurance Exchange. Exchanges are a new player in the distribution channel of insurance for individuals and small businesses and are to be designed to create a more organized and competitive market for buying health insurance. At its core, an Exchange will offer an individual through a American Health Benefit (AHB) Exchange or small business via a Small Business Health Option (SHOP) Exchange a choice of different health insurance carriers and health plans.

Beginning in January of 2014, Exchanges will serve individuals buying insurance on their own and small businesses with up to 100 employees. In 2016, Michigan could make the Exchange available to larger employers. The governing body for the Exchange can be a government agency or a non-profit organization. As described in the Affordable Care Act, if Michigan does not establish its own Exchange the federal government will step in and create an Exchange for Michigan. With some restrictions, i.e. geographic area, Michigan can develop more than one Exchange, or can work with other States to form regional Exchanges.

According to its proponents, the stated purpose of the Exchange can be broken down into two major categories:

## 1. Offering individuals and small businesses a qualified choice of health plans

- The Exchange will certify, recertify and decertify health products as meeting the requirements of the essential benefits and other PPACA provisions,
- The Exchange will rate each health product based on various criteria,
- The Exchange will develop standard applications for enrollment.

## 2. Creating a "clearinghouse" for enrollment into safety net programs, Exchange offered products and the distribution of tax credits and subsidies. Provide comparative information on price, quality, and plan provisions, etc.

- The Exchange will have a Premium Cost Calculator,
- The Exchange will determine eligibility for and calculate any tax credits and subsidies guiding the consumer to either a safety net program (Medicaid, MChild), or a subsidized or non-subsidized product,
- The Exchange will offer a website with standardized information on deductible, co-payments, co-insurance, covered and non-covered benefits, etc.,
- The Exchange will provide a toll-free customer service number for consumer questions,
- The Exchange will develop a "Navigator" program presumably offering guidance regarding plan offerings, costs, coverage levels, etc.

## Background

None of our organizations supported the passage of the Patient Protection and Affordable Care Act, but we all feel the need to be involved in the state level implementation decisions. Therefore, starting in January of 2011, the state coordinated a Health Insurance Exchange planning process and each of our organizations was well represented. This work was conducted by Health Management Associates (HMA) along with the help of Public Policy Associates who managed the workgroup process. The workgroups were broken down into five subgroups including Governance, Finance, Reporting and Evaluation, Technology, Business Operations, Regulatory and Policy Action. The final recommendations of the workgroups were released on June 17, 2011.

## Key Points

While many recommendations were agreed to by the members of the workgroups, many critical areas either were not addressed or consensus could not be reached. As a result the business community has come together to create some CORE Principles against which we will judge the recommendations provided to Governor Snyder and required enabling legislation. Overall, our advice to the State is that the Michigan legislature conduct a thoughtful and deliberative process that adopts the "walk before it runs" philosophy. Some of the key decision points that we will judge any legislation against include how the Exchange will relate to Michigan's current insurance governing laws, how the Exchange will interact with the current health insurance distribution system, how best to address adverse risk selection either on or off the Exchange via reinsurance programs, risk corridors and risk adjustment, the criteria for certifying and rating health products, by whom and how the Exchange will be governed and financed and last, but not least, the inclusion of a sunset provision if the Supreme Court rules against the Affordable Care Act or the Act itself is repealed.

This Primer would be incomplete without noting that many in the business community question the need for a Health Insurance Exchange. The problem that Michigan's small businesses owners have with health insurance is not one of access, which may be addressed through an Exchange, the problem that our small business owners encounter daily is one of affordability. That said, the PPACA requires that each state either build an Exchange(s) or the federal government will step in and create an Exchange for Michigan. Given that choice, our sentiment is that Michigan must create our own Exchange and keep the decisions on its design, function and financing within Michigan control.